



# Senate

General Assembly

**File No. 182**

January Session, 2007

Substitute Senate Bill No. 1257

*Senate, March 29, 2007*

The Committee on Environment reported through SEN. FINCH of the 22nd Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

## ***AN ACT ESTABLISHING A MILK HANDLER FEE SYSTEM.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (NEW) (*Effective from passage*) (a) As used in this section  
2 and section 2 of this act:

3 (1) "Basic price" means the Class I price of milk announced by the  
4 administrator of the northeast marketing area milk marketing order;

5 (2) "Consumer" means any person other than a milk handler who  
6 purchases fluid milk for consumption;

7 (3) "Fee period" means the period beginning on the Sunday closest  
8 to the first day of the month and continuing through the Saturday  
9 prior to the Sunday closest to the first day of the subsequent month;

10 (4) "Handler" shall have the same meaning as defined in section 22-  
11 127 of the general statutes;

12 (5) "Milk" has the same meaning as in the Code of Federal

13 Regulations 7 CFR 1000.15 and 7 CFR 1000.16, and includes, but is not  
14 limited to, whole milk, skim milk, low-fat milk, reduced fat milk, half  
15 and half, flavored milk and cultured milks; and

16 (6) "Packaged milk" means milk that has been processed and placed  
17 in containers for ultimate sale to consumers;

18 Sec. 2. (NEW) (*Effective from passage*) (a) Upon notification by the  
19 Connecticut Milk Commission established pursuant to substitute  
20 senate bill 1356 of the current session, the Department of Revenue  
21 Services shall levy and impose a milk handling fee, at the rate  
22 established in subsection (b) of this section, on the handling in this  
23 state of packaged milk for sale in this state. The fee shall be paid by the  
24 handler. The fee shall be computed on a gallon equivalent basis. Milk  
25 packaged for sale in containers of less than one quart or twenty or  
26 more quarts in volume or packaged milk that is sold to an institution  
27 that is owned and operated by any town or municipality of this state,  
28 the state of Connecticut or the federal government shall be exempt  
29 from the milk handler fee.

30 (b) The rate of the fee levied under this section shall be established  
31 by said Connecticut Milk Commission for each fee period on the basis  
32 of the basic price of milk in effect on the Sunday following the first  
33 Sunday of the fee period in accordance with the following:

34 (1) If the basic price is \$19.50 per hundredweight and above, the rate  
35 of the milk handling fee is zero cents per gallon;

36 (2) If the basic price between \$19.00 and \$19.49 per hundredweight,  
37 the rate of the milk handling fee is two cents per gallon;

38 (3) If the basic price is between \$18.50 and \$18.99 per  
39 hundredweight, the rate of the milk handling fee is three cents per  
40 gallon;

41 (4) If the basic price is between \$18.00 to \$18.49 per hundredweight,  
42 the rate of the milk handling fee is four cents per gallon;

43       (5) If the basic price is between \$17.50 to \$17.99 per hundredweight,  
44       the rate of the milk handling fee is five cents per gallon;

45       (6) If the basic price is between \$17.00 to \$17.49 per hundredweight,  
46       the rate of the milk handling fee is seven cents per gallon;

47       (7) If the basic price is between \$16.50 to \$16.99 per hundredweight,  
48       the rate of the milk handling fee is eight cents per gallon;

49       (8) If the basic price is between \$16.00 to \$16.49 per hundredweight,  
50       the rate of the milk handling fee is ten cents per gallon;

51       (9) If the basic price is between \$15.99 to \$15.50 per hundredweight,  
52       the rate of the milk handling fee is eleven cents per gallon; and

53       (10) If the basic price is below \$15.50 per hundredweight, the rate of  
54       the milk handling fee is twelve cents per gallon.

55       (c) Handlers shall pay the fee for each fee period on all milk subject  
56       to the milk handling fee.

57       (d) In calculating the amount of packaged milk handled for sale in  
58       this state during each fee period, the handler shall deduct from that  
59       amount any packaged milk returned to the handler and not resold  
60       during that fee period.

61       (e) The fee imposed and collected under this section shall be in  
62       addition to any taxes or license fees imposed or collected under any  
63       other law of this state.

64       (f) A handler subject to the fee imposed by subsection (a) of this  
65       section shall register with the Department of Revenue Services not  
66       later than five business days after becoming subject to the fee, on forms  
67       provided by said department. The list of registered handlers shall be  
68       made available to the public by said department. At a frequency and  
69       on a date prescribed by the Commissioner of Revenue Services, a  
70       handler subject to the fee imposed under subsection (a) of this section  
71       shall report to said department the quantity of packaged milk handled

72 in this state for sale in this state during the preceding fee periods, the  
 73 quantity of packaged milk handled that was subject to the milk  
 74 handling fee and any other information the Commissioner of Revenue  
 75 Services determines necessary or useful in the administration of this  
 76 section. The commissioner and the Connecticut Milk Commission may  
 77 share such information as is necessary to implement this section.

78 (g) Each handler subject to the milk handling fee imposed pursuant  
 79 to subdivision (a) of this section shall pay such fee to the  
 80 Commissioner of Revenue Services on a quarterly basis.

81 (h) The Department of Revenue Services shall pay all funds received  
 82 from the milk handling fee to the Treasurer to be deposited in the  
 83 General Fund.

84 Sec. 3. (NEW) (*Effective from passage*) If any provision of section 1 or  
 85 2 of this act is held to be invalid or unconstitutional by a court of  
 86 competent jurisdiction, the remaining provisions in section 1 or 2 of  
 87 this act shall not be affected and shall remain in full force and effect.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	New section
Sec. 2	<i>from passage</i>	New section
Sec. 3	<i>from passage</i>	New section

**ENV** Joint Favorable Subst.

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either chamber thereof for any purpose:

### **OFA Fiscal Note**

#### **State Impact:**

Agency Affected	Fund-Effect	FY 08 \$	FY 09 \$
Department of Agriculture	GF - See Below	See Below	See Below
Department of Revenue Services	GF - Cost	215,000	60,000

Note: GF=General Fund

**Municipal Impact:** None

#### **Explanation**

Any additional administrative costs incurred by the Department of Agriculture would be handled within the resources required under sHB 1356 of the current session and funded through the Milk Regulation Account established in that bill. It is anticipated that in order for a fee system to be established and implemented by the Milk Commission, the provisions of sHB 1356 would need to be enacted.

The bill is expected to result in a cost to the Department of Revenue Services of \$215,000 in FY 08 and \$60,000 in FY 09 plus fringe benefits<sup>1</sup> to levy and impose the handler fee. The costs for the first year include one-time set-up and programming costs as well as on going costs for a Revenue Examiner.

#### **The Out Years**

<sup>1</sup> The fringe benefit costs for state employees are budgeted centrally in the Miscellaneous Accounts administered by the Comptroller. The estimated first year fringe benefit rate for a new employee as a percentage of average salary is 25.8%, effective July 1, 2006. The first year fringe benefit costs for new positions do not include pension costs. The state's pension contribution is based upon the prior year's certification by the actuary for the State Employees Retirement System (SERS). The SERS 2006-07 fringe benefit rate is 34.4%, which when combined with the non pension fringe benefit rate totals 60.2%.

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

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**OLR Bill Analysis****sSB 1257*****AN ACT ESTABLISHING A MILK HANDLER FEE SYSTEM.*****SUMMARY:**

This bill establishes a fee for handling milk. Implementing the fee is contingent upon passage of sSB 1356, which creates the Connecticut Milk Commission. This bill requires the commission to set the handling fees based on the bill's fee structure. The Revenue Services Department (DRS) must levy and impose the fee after the commission notifies the department that it set the rate. Milk handlers that receive, handle, distribute, or sell milk for bottling, manufacturing, processing, distribution, or sale in the state must pay the fee. Handlers subject to the fee must register with and provide information to DRS and make quarterly payments. The fees go into the General Fund.

The fee amounts are based on federal law, which governs the price Connecticut dairy farmers are paid for milk. Generally, U.S. Department of Agriculture marketing orders set the price for milk and milk products by region. One order prescribes the price paid in New England and the Mid-Atlantic states. The order is broken down into class I (fluid) milk and various other classes of milk products. Under the bill, the fee amount handlers must pay is based on this federal class I northeast milk marketing order price, referred to under the bill as the "basic price." The fee decreases as the basic price increases. The commission must compute the fee on a gallon equivalent basis.

Under the bill, if the court determines any section of the bill is invalid or unconstitutional, the bill's remaining requirements maintain their full force and effect.

The bill exempts from the fee (1) milk packaged for sale in

containers of less than one quart or 20 or more quarts in volume or (2) packaged milk that is sold to institutions owned and operated by the federal government, the state, or a municipality.

EFFECTIVE DATE: Upon passage

### **MILK FEE SYSTEM AND PAYMENTS**

Handlers must pay the fee on a scale. As under current law concerning milk, the bill defines handlers as any person, firm, corporation or cooperative association engaged in the receiving, handling, distribution, or sale of fluid milk or milk products, which fluid milk or milk products, in whole or in part, are intended for bottling, manufacturing, processing, distribution, or sale in this state.

Under the bill, the Connecticut Milk Commission sets the fee each month based on a fee structure the bill establishes. Specifically, it establishes the fee for each fee period based on the basic price of milk in effect on the Sunday following the first Sunday of the fee period, which is the period beginning on the Sunday closest to the first day of the month and continuing through the Saturday before the Sunday closest to the first day of the subsequent month.

The fee structure is based on the price of milk per hundredweight, with the fee amount applied per gallon. There is no fee if the basic price is above \$19.50 per hundredweight, but the fee increases gradually as the price per hundredweight declines. The rest of the fee structure is as follows. When the basic price is between:

1. \$19.00 and \$19.49 per hundredweight, the fee is \$.02 per gallon;
2. \$18.50 and \$18.99 per hundredweight, the fee is \$.03 per gallon;
3. \$18.00 to \$18.49 per hundredweight, the fee is \$.04 per gallon;
4. \$17.50 to \$17.99 per hundredweight, the fee is \$.05 per gallon;
5. \$17.00 to \$17.49 per hundredweight, the fee is \$.07 per gallon;



6. \$16.50 to \$16.99 per hundredweight, the fee is \$.08 per gallon;
7. \$16.00 to \$16.49 per hundredweight, the fee is \$.10 per gallon;  
and
8. \$15.99 to \$15.50 per hundredweight, the rate of the milk handling fee is eleven cents per gallon.

If the price is below \$15.50 per hundredweight, the fee is \$.12 per gallon.

Handlers must pay the fee on a quarterly basis for each fee period of that quarter.

However, in calculating the amount of packaged milk handled for sale in this state during each fee period, the handler must deduct any packaged milk returned to him or her and not resold during that fee period.

## **HANDLERS REGISTRATION AND REPORTING REQUIREMENTS**

Handlers subject to the fee must register with DRS no later than five business days after becoming subject to the fee, on forms DRS provides. At a frequency and on the date the DRS commissioner prescribes, a handler subject to the fee imposed must report to DRS: (1) the quantity of packaged milk handled in this state for sale in this state during the preceding fee period, (2) the quantity of packaged milk handled that was subject to the milk handling fee, and (3) any other information the DRS Commissioner determines necessary or useful to administer the fee requirement. DRS must make the list of registered handlers available to the public.

The bill authorizes the commissioner of the Connecticut Milk Commission to share such information as is necessary to implement the bill's registration and reporting requirements.

## **BACKGROUND**

### ***Related Bill***

sSB 1356 creates the Connecticut Milk Commission and establishes

its duties and powers, which include setting (1) a target price for milk (i.e., an additional amount certain dairy farmers are paid for milk they produce) and (2) minimum prices for milk sold in the state.

Specifically, the bill sets the initial target price of \$17, which the commission may change, and requires the commission to pay dairy farmers the difference between it and the federally set price paid for milk they produce. The bill creates a Milk Regulation Account (1) from which the commission must pay dairy farmers (milk producers) the differences between the federally set price and the target price and (2) to cover the cost of the commission's activities. It requires proceeds collected from violations of milk and milk industry law and all license, permit, or registration fees required under state milk and milk industry law to fund the account. It also allows the commission to change the minimum amount certain entities charge for milk.

#### **COMMITTEE ACTION**

Environment Committee

Joint Favorable Substitute

Yea    28    Nay   1    (03/12/2007)